



## **FINAL CREDIT CONTROL AND DEBT COLLECTION POLICY**

**2020/21**

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to this municipality – a contribution that is made at the direct cost of improved service delivery and developmental projects.

2.3 The only solution to the ongoing problem of non-payment by residents who can afford their monthly commitments to the municipality is to introduce a twofold approach: to promulgate credit control and debt collection by-laws which deal stringently with defaulters, but at the same time – through the formal political structures of the municipality, and in the administration's general dealings with the public – to make the community aware of its legal obligations towards the municipality, and to emphasize the negative consequences for all if non-payment continues. The municipality's ward committees are particularly charged with this responsibility.

### **3. NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES**

Within 7 (seven) calendar days after each monthly due date for payment of municipal accounts for service charges, the municipal manager shall dispatch to every defaulting accountholder, that is, every accountholder who as at the date of the notice has not paid the monthly account in full or has not made an acceptable arrangement with the municipal manager for partial or late payment, a notice stating that unless full payment is received or an acceptable arrangement made with the municipal manager for partial or late payment, the municipal water supply or both such supplies to the property to which the account in arrears relates shall be terminated or restricted 14 (fourteen) calendar days after the date of the notice concerned.

### **4. RECONNEXION OR REINSTATEMENT OF TERMINATED OR RESTRICTED SERVICES**

5.1. The municipal manager shall reconnect or reinstate terminated or restricted services within 3 (three) working days after the date on which the conditions set out in part 4 have been met, unless the municipal manager is unable to do so because of circumstances beyond the control of the municipality. In the latter event the municipal manager shall promptly inform the mayor of such circumstances and of any actions required to overcome the circumstances concerned.

## **6. ILLEGAL RECONNECTIONS**

6.1. The municipal manager shall, as soon as it comes to the notice of the municipal manager that any terminated or restricted service has been irregularly reconnected or reinstated, report such action to the South African Police Service, disconnect or restrict such service(s), and not reconnect or reinstate such service(s) until the arrear account, including the interest raised on such account, the charges for the notice sent in terms of part 3 and the charges for both the original and subsequent reconnection or reinstatement of the service(s) and the revised deposit have been paid in full, together with such penalty as may be determined by the council from time to time.

6.2. In addition, all metered consumption since the date of the illegal reconnection, or the estimated consumption if a reliable meter reading is not possible, shall also be paid full before any reconnection or reinstatement is considered.

## **7 RESTRICTIONS OF SERVICES**

- 9.1. Allowing defaulting accountholders to make arrangements for the payment of arrear accounts shall be at the discretion of the municipal manager or official delegated by municipal manager in writing.
- 9.2. Each defaulting accountholder shall be allowed to enter into a debt arrangement as per annexure A, together with the interest raised on such account, and it shall be a condition for the conclusion of any arrangement that the accountholder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends.
- 9.3. If an accountholder breaches any material term of an arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality,
- 9.4. and if the accountholder defaults on such payment, the municipal manager shall terminate or restrict services to the property in question and shall forthwith hand such account over for collection as envisaged in part 8.
- 9.5. An accountholder who has breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts, but shall be proceeded against, after the dispatch of the initial notice of default as envisaged in part 3 and failure by the accountholder to pay the arrear account, together with interest raised on such arrears as required in terms of such notice, as though such accountholder had breached a material term of an arrangement.

## **10. SERVICE CONTRACT**

- 10.1. A service contract shall henceforth be entered into with the municipality for each property to which the municipality is expected to provide all or any of the following services:
- a. water
  - b. sewerage.

third of the aggregate monetary value of the relevant service(s) as determined above.

## **12. ALLOCATIONS OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS**

12.1. If an accountholder pays only part of any municipal account due, the municipal manager shall allocate such payment as follows:

- a. firstly, to any unpaid charges levied by the municipality in respect of unacceptable cheques, notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
- b. secondly, to any unpaid interest raised on the account;
- c. thirdly, to any unpaid sewerage charge
- d. lastly, to any unpaid water charges; and

12.2. This sequence of allocation shall be followed notwithstanding any instructions to the contrary given by the accountholder.

12.3. In the event of an accountholder's defaulting on the payment of an arrear account, as contemplated in parts 6, 8 and 9, the municipal manager shall forthwith appropriate as much of such deposit as is necessary to defray any costs incurred by the municipality and the arrear amount owing to the municipality in the same sequence that is applicable to the allocation of part payments, as contemplated above.

## **13. QUERIES BY ACCOUNTHOLDERS**

concerned, but the municipal manager shall reverse such surcharge(s) against the first account for which a meter reading is again obtained.

## **15. DISHONoured AND OTHER UNACCEPTABLE CHEQUES**

15.1. If an accountholder tenders a cheque which is subsequently dishonoured by or is found to be unacceptable to the accountholder's bankers, the municipal manager shall –

- a. in addition to taking the steps contemplated in this policy against defaulting accountholders – charge such accountholder the penalty charge for unacceptable cheques, as determined by the council from time to time,
- b. and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of determining the sequence of allocations and appropriations contemplated in part 12.

## **16. DELEGATION OF RESPONSIBILITIES BY MUNICIPAL MANAGER**

16.1. The municipal manager, including any person acting in such capacity, shall be responsible to the council for the implementation of this policy and its attendant by-laws but – without in so doing being divested of such responsibility – may delegate in writing all or any of the duties and responsibilities referred to in these by-laws to any other official or officials of the municipality, and may from time to time in writing amend or withdraw such delegation(s).

## **17. ROLE OF MUNICIPAL MANAGER**

monitoring and supervising the application of the present policy and the attendant by-laws, and of reporting to the council on the extent and success of credit control actions.

18.2. The present policy further recommends that the municipality's ward committees be actively involved in implementing the credit control and debt collection programme, and should therefore receive monthly reports on the status of the municipal manager's credit control actions. The ward committees must also actively promote the present policy, and ensure at the same time that the municipality's customer relations are of a standard acceptable to the community.

18.3. In order to maintain the credibility of the municipality in the implementation of the present policy and the attendant by-laws, it is essential that councillors should lead by example. Councillors, by adopting this policy, therefore pledge, not only their unqualified support for the policy, but their commitment to ensuring that their own accounts will at no stage fall into arrears.

## **19. INTEREST ON ARREARS AND OTHER PENALTY CHARGES**

19.1. Interest shall be charged and calculated on a monthly basis at a Prime rate PLUS 1.

19.2. For purposes of determining arrear amounts, all amounts unpaid including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account.

19.3. Interest will be levied on suspended/ disconnected accounts.

19.4. In considering each annual budget the council shall review the adequacy of its interest charges, and shall determine the following for the financial year concerned:

- a. charges for disconnection or restriction of services (paragraph 3)
- b. charges for reconnection or reinstatement of services (paragraph 4)
- c. charges for notices of default (paragraph 3)



- 22.1. The council shall separately consider arrears which arose prior to the adoption of the present policy, and shall advise accountholders of their respective obligations in regard to such arrears.
- 22.2. In determining such obligations, the council shall have regard to the quantum of such arrears, to the period over which the default occurred, and to whether the accountholder concerned has registered as an indigent in terms of the municipality's policy on indigency management.

### **23. BY-LAWS**

- 23.1. By-laws shall be adopted to give effect to the council's credit control and debt collection policy.
- 23.2. These by-laws deal severely with defaulters, and their application requires a considerable degree of commitment from the municipal manager and his or her administration, as well as from the municipality's political structures.
- 23.3. The monthly billing for sewerage charges fees will continue in respect of defaulting accountholders, even though their consumption of water may have been terminated or restricted.
- 23.4. The termination or restriction of services must therefore be seen merely as a vital first step in the credit control programme, and the commitment by the municipality to follow up such actions with the full force of the law at the municipality's disposal is an essential further step if the accumulation of debts is to be meaningfully curtailed.
- 23.5. The by-laws comply with the requirements of the Municipal Systems Act 2000, the Water Services Act 1997 and the Municipal Finance Management Act 2003.
- 23.6. The by-laws also deal with the determination and payment of consumer deposits, and in accordance with part 11 of the present policy effectively differentiate in this respect between accountholders who are both the owners and occupiers of the fixed property concerned, on the one hand, and accountholders who are tenants of such properties, on the other. This

## **24. DEBT MANAGEMENT**

24.1. It will be performed in accordance with chapter 4 & 5 of SDM Water and Sanitation By-Law, 2010

24.2. The municipality collection process will follow the under-mentioned steps:

- a. Telephone Collection.
- b. Written reminder.
- c. Final Notice.
- d. Communication with Water Service department for service termination or restriction
- e. Legal action/ hand-over to the municipal attorneys (Legal Department) or debt collectors.
- f. Listing of debtors with Credit Bureau.
- g. Recommendation for write off as bad debt.
- h. Telephone Collection.

24.3. The telephone collection process will start at least seven (7) days after the due date as reflected on the customer monthly statement.

24.4. The written reminder must be sent out within 30 days from the due date on the monthly statement (23 days from the telephone collection stage) and must give the debtor 14 days to settle his/ her account.

24.5. If the debtor still fails to settle his/ her account within the above stipulated 14 days, a final notice must be issued giving the debtor a further 28 days to settle his/her account, failing which legal action will be taken against him/her.

24.6. Communication with Water Service Department and service termination.

## **25. APPROACH IN CALCULATING PROVISION FOR DOUBTFUL DEBTS:**

25.1. A report from the system should supply suitable information regarding the following:

- a. Ageing of each debtor
- b. Active / inactive account
- c. -Tenants' / owners' account
- d. Debtor type: Residential, Business, Indigent, Government, etc.

25.2. Align all the debt collection indicators so that the history of an account can be used as basis for recommendations for writing off bad debts in future.

25.3. A scoring system would be used by adding additional fields in the database for each debtor / group of debtors indicating the following:

- a. Number of times account appeared on the cut-off list: Final cut-off only applicable to businesses.
- b. Attorneys' total cost on account: no available
- c. Number of final notices on account: Final notices only issued to business
- d. Number of summonses on account: No summons issued
- e. Judgements on account: No judgements
- f. Tracing costs: no tracing costs

25.4. The subsequent measurement is essential and should be done monthly.

However, regardless of whether or not this was done correctly throughout the year, it is of paramount importance that all the debtors outstanding at year-end be screened in some way for impairment.

Scoring	Residential	Business	Indigent	Government
0 – 4	Most probably impaired	Most probably impaired	Most probably impaired	Most probably impaired
0	100% of debtor amount	100% of debtor amount	100% of debtor amount	100 % of debtor amount
1	Increase expected number of days outstanding with 80%	Increase expected number of days outstanding with 80%	Increase expected number of days outstanding with 80%	Increase expected number of days outstanding with 80%
2	Increase expected number of days outstanding with 60%	Increase expected number of days outstanding with 60%	Increase expected number of days outstanding with 60%	Increase expected number of days outstanding with 60%
3	Increase expected number of days outstanding with 40%	Increase expected number of days outstanding with 40%	Increase expected number of days outstanding with 40%	Increase expected number of days outstanding with 40%

More than 2 summons on account issued	Increase days outstanding with 80%
Judgement on account that x % of outstanding balance will be received	Impair by the % of balance that will not be received
Tracing costs is more than 20% of outstanding balance	Increase days outstanding with 80%
An agreement with the debtor to determine an amount payable and a certain period to pay the amount	Impair using the agreed upon payment amount and period.

25.7. For each of the items impaired at year-end the following must be determined:

- a. Amount to be received (determined by report or direct input from senior official of agreed upon amount)
- b. Estimated / actual date of amount to be received (total days after year-end until payment is received)
- c. Discount rate applicable to the group of debtors.
- d. Calculation of present value using above inputs

## 26. ANNEXURE: LEGAL REQUIREMENT

## **ANNEXURE: A**

### **Debt Arrangement**

A down payment of 20% Domestic and 50% non Domestic of the debt should be payable before entering into an arrangement or whatever percentage the municipal manager or official delegated by municipal manager in writing.

Item	Consumer type	Level of debt			
		(A) 0-800	(B) -2500	(C) -4000	(D) ->5000
		Maximum allowable payment period			
1	Domestic	3	5	8	12
2	Indigent	5	7	9	12
3	Businesses	1	2	3	6
4	Schools	1	3	5	6
5	Departments	1	3	5	6
6	Bulk consumers	1	2	3	6

The above table will only be applicable to the arrear amount whilst the consumer will be expected to continue paying the current charges. The table denotes an allowable period that can be given to a consumer per type and level of debt, however lesser period or higher installments are acceptable. The table sets maximum allowable and any extension of the period can be negotiated with the municipal manager.

## MSA SECTION 95: CUSTOMER CARE AND MANAGEMENT

A municipality must, in relation to the levying of rates and other taxes, and the charging of fees for municipal services, within its financial and administrative capacity, do the following:

- establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality itself or (where applicable) a service provider;
- establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service provider with regard to the quality of the services and the performance of the service provider;
- take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which moneys raised from the service are utilised;
- where the consumption of services is measured, take reasonable steps to ensure that the consumption by individual consumers of services is measured through accurate and verifiable metering services;
- ensure that persons liable for payments receive regular and accurate accounts which indicate the basis for calculating the amounts due;
- provide accessible mechanisms for those persons to query or verify accounts and metered consumption, as well as appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;
- provide mechanisms to monitor the response time and efficiency in complying with the aforementioned requirements; and

The municipality, within its discretionary powers, may differentiate in its credit control and debt collection policy between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

#### SECTION 98: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement.

Such by-laws may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

#### SECTION 99: SUPERVISORY AUTHORITY

A municipality's executive mayor or executive committee, as the case may be, or – if the municipality does not have an executive committee or executive mayor – the council of the municipality itself, or a committee appointed by the council as the supervisory authority, must do all of the following:

- oversee and monitor the implementation and enforcement of the municipality's credit control and debt collection policies and any by-laws enacted in terms of the foregoing requirements, and the performance of the municipal manager in implementing the policies and by-laws;
- where necessary, evaluate or review the policies and by-laws, and the implementation of such policies and by-laws, in order to improve the



- consolidate any separate account of such person;
- credit a payment by such person against any account of that person; and
- implement any of the debt collection and credit control measures provided for in the present Act in relation to any arrears on any of the accounts of such person.

### SECTION 103: AGREEMENTS WITH EMPLOYEES

A municipality may, within its discretionary powers, but with the consent of any person liable to the municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with such person's employer to deduct from the salary or wages of such person any outstanding amounts due by such person to the municipality or such regular monthly amounts as may be agreed to.

The municipality may further, within its discretionary powers, provide special incentives for employers to enter into such agreements and for employees to consent to such agreements.

### SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO: 32 OF 2000

#### MSA SECTION 114: Time of notices and payments

Normal or extended office hours is the only time-

payment may be made at a municipality, except when payment is made by electronic transfer or at agency pay-points; or

any notice or other document may be served on the municipality, including on its council, or other structure or functionary or a staff member in an official capacity, except when the matter in connection with which a summons is served is an urgent matter.

#### MSA SECTION 115: Service of documents and process

(1) Any notice or other document that is seined on a person in terms of this Act, is regarded as having been served—

## CODE OF CONDUCT FOR MUNICIPAL STAFF MEMBERS

Paragraph 10 of this Code of Conduct stipulates that if any staff member of a municipality is in arrears to the municipality for rates and service charges for a period longer than 3 months, the municipality may deduct any outstanding amounts from such staff member's salary after this period.

## CODE OF CONDUCT FOR COUNCILLORS

Section 6A of this code requires councillors to pay all rates, tariffs, rents and other moneys due to the municipality promptly and diligently.

The municipal manager is further required to notify the speaker of the council and the MEC for Local Government, in writing, whenever a councillor has been in arrears with any of these payments for a period exceeding 30 days.

## **SECTION III: LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT** **ACT NO. 56 OF 2003**

### SECTION 64: REVENUE MANAGEMENT

The accounting officer of the municipality is responsible for the management of the municipality's revenues, and must, for this purpose, take all reasonable steps to ensure:

- that the municipality has effective revenue collection systems consistent with Section 95 of the Municipal Systems Act 2000 and the municipality's credit control and debt collection policies;

SECTION IV: LOCAL GOVERNMENT: MUNICIPAL PROPERTY RATES ACT  
NO. 6 OF 2004

SECTION 28: RECOVERY OF RATES IN ARREARS FROM TENANTS AND  
OCCUPIERS

If the rates owed by a property owner are unpaid by due date, the municipality may recover such rates, either in whole or in part, from any tenant or occupier of the property concerned.

However, the tenant or occupier of the property must first be given written notice of the municipality's intentions, and the amount which the municipality may recover is limited to the amount of rent and other moneys due and unpaid by the tenant or occupier to the property owner concerned.

SECTION 29: RECOVERY OF RATES FROM AGENTS

If it is more convenient for the municipality to do so, it may recover the rates due on a property, either in whole or in part, from the agent of the property owner concerned.

However, the agent must first be given written notice of the municipality's intention, and the amount the municipality may recover is limited to the amount of any rent and other moneys received by the agent on behalf of such property owner, less any commission due to the agent.